

FINANCIAL INFORMATION FORUM

April 28, 2025

By electronic mail

Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Attn: Chairman Paul S. Atkins
Commissioner Caroline A. Crenshaw
Commissioner Hester M. Peirce
Commissioner Mark T. Uyeda

Re: Recommendations (I) to address current regulatory implementation challenges faced by broker-dealers, and (II) to enhance the rulemaking process to more effectively address regulatory implementation issues

Dear Chairman and Commissioners,

The Financial Information Forum (“FIF”)¹ is writing on behalf of our members to highlight current implementation challenges that FIF members are facing and proposed steps that the Securities and Exchange Commission (the “Commission”) could take to address these challenges. These challenges include various existing and upcoming regulatory requirements where inadequate published interpretive guidance (or the lack of published interpretive guidance) is leading to market participants interpreting requirements and calculations quite differently. For certain rules, this has resulted (and, for new regulations, will result) in the Commission (or market participants) disseminating misleading data to investors. The letter also recommends changes to the rulemaking process going forward to more effectively address implementation issues. FIF is submitting this letter on behalf of our members that are broker-dealers and vendors supporting broker-dealers.

While it is important for the Commission to consider future rulemaking and other longer-term actions, it is also important for the Commission to address implementation challenges that industry members are

¹ FIF (www.fif.com) was formed in 1996 to provide a centralized source of information on the implementation issues that impact the securities industry across the order lifecycle. [FIF members](#) include broker-dealers, exchanges, back office service bureaus, and market data, regulatory reporting and other technology vendors in the securities industry. Through topic-oriented working groups, FIF participants focus on critical issues and productive solutions to technology developments, regulatory initiatives, and other industry changes.

presently facing. These implementation challenges are the focus of the various FIF Committees and Working Groups.

The following are the benefits for investors, industry members and the financial markets in addressing the implementation challenges discussed in this letter:

- Higher quality data and disclosures provided to investors, the Commission and other regulators, self-regulatory organizations (“SROs”) and industry members
- Removal or remediation of current disclosures to investors, regulators, SROs and industry members that are misleading
- Greater consistency in reporting across industry members
- Reduction in unnecessary costs currently incurred by industry members
- Protection of customer data
- Achieving the Commission’s stated regulatory objectives more efficiently.

In Section A of this letter, FIF members recommend general practices for the Commission for rulemaking and implementation of previously adopted rules. These rulemaking practices, if adopted, would result in higher quality rulemaking and disclosure. In Section B, FIF members identify specific implementation issues impacting FIF members and requested actions for the Commission.

The requested actions in Section B below would not require rulemaking by the Commission. The requested actions are limited to the following:

- Providing or updating interpretative guidance
- Providing exemptive relief
- Providing additional time for implementation (in light of the need for written implementation guidance from the Commission)
- Advising the SROs (including SRO plans) to take certain actions
- Requesting that the CAT Plan Participants publish an analysis of various recommendations (including recommendations previously made by the CAT Plan Participants) to manage CAT operating costs.

This letter does not seek to identify all issues of concern to FIF members and, in particular, is focused on implementation issues as opposed to policy issues.

A. General practices for rulemaking and implementation of previously adopted rules

Greater consideration of implementation issues in future rulemaking

The rulemaking process should include appropriate consideration of implementation issues. The Commission should consider a two-stage process for rulemaking where the Commission seeks input on the substance of a rule proposal through a proposing release and then, having decided on the policy (i.e., intent) of the planned rule change, seeks input on implementation issues and questions that require interpretive guidance. Rule adoption would then occur after this second stage of input has been

received. This type of process is important given the complexity and diversity of industry trading and operational practices, the complexity of current regulations and regulatory changes, and the technical requirements that are associated with many regulatory changes. This process would also allow for greater consideration of the costs and benefits of different implementation approaches. FIF members recommend that this process apply for both Commission and SRO rulemaking.

The following are examples of recent rulemakings where the failure to consider certain implementation issues during the rulemaking process has led to problematic rulemaking. All of these issues could have been addressed through a two-stage rulemaking process that allows for proper consideration of both policy and implementation.

- **Rule 606(a) amendments: look-through.** After the Commission adopted amendments to Rule 606 in 2018, the Commission’s staff provided verbal guidance to mandate “look-through” for Rule 606(a) reporting, even though look-through was neither included in the amended Rule 606(a) nor discussed in the Commission’s adopting release for the Rule 606(a) amendments.² The Commission’s staff also has published limited written guidance with respect to look-through.³ The result of this “look-through” requirement is that the Rule 606(a) reports are misleading and are thus worse than having no reporting at all.⁴
- **Rule 606(a) amendments: orders routed to multiple venues.** The Commission has not provided clear guidance for how firms should report for the common scenario where an order is routed to multiple venues (including, for example, whether and how parent orders and child routes should be weighted). This has resulted in firms taking different approaches for reporting, thereby defeating a primary objective of Rule 606(a), which is to allow for a comparison across reporting firms. FIF members are currently engaged in discussions with Commission staff members to address this issue.
- **Rule 13f-2 and Form SHO: netting of long positions.** Because Rule 13f-2,⁵ as interpreted by the Commission staff, does not appear to allow for netting of long positions, this will result in a significant misstatement of the actual economic short positions of reporting firms. If not addressed (please see the recommendations below), this will result in inaccurate data being disseminated to the public.

² Securities Exchange Act Release No. 84528 (Nov. 2, 2018), 83 FR 58338 (Nov. 19, 2018) (Disclosure of Order Handling Information).

³ See, for example, (I) Securities and Exchange Commission, Division of Trading and Markets, Responses to Frequently Asked Questions Concerning Rule 606 of Regulation NMS, available at <https://www.sec.gov/rules-regulations/staff-guidance/trading-markets-frequently-asked-questions/faq-rule-606-regulation>, Question 13.01 (“Rule 606 FAQ 13.01”), and (II) Securities and Exchange Commission, Division of Examinations, Risk Alert, Observations Related to Regulation NMS Rule 606 Disclosures, available at <https://www.sec.gov/files/reg-nms-rule-606-disclosures-risk-alert.pdf>, at 3.

⁴ See, for example, FIF Letter to the Commission (Dec. 20, 2022), available at <https://www.sec.gov/comments/sr-finra-2022-031/srfinra2022031-20153223-320697.pdf> (“FIF December 2022 Letter”), at 2-4.

⁵ 17 CFR §240.13f-2.

- **Rule 13f-2 and Form SHO: threshold based on outstanding shares.** Rule 13f-2 requires managers to report gross short positions in Threshold A securities (generally, securities registered with the Commission) and Threshold B securities (unregistered securities). A manager is required to report a Threshold A security for a month if the manager’s average gross short position for the month is either (i) \$10,000,000 or greater or (ii) 2.5% of outstanding shares or greater.⁶ Under Form SHO, the shares outstanding must be based on the shares outstanding as reported in EDGAR.⁷ The problem is that EDGAR in many cases does not reflect ETF issuances and redemptions, buy-backs, stock splits, reverse stock splits and other events that change the shares outstanding for an issuer. In many cases, these changes not reflected in EDGAR could be material (for example, a 10 for 1 stock split by Nvidia).⁸

These types of outcomes have resulted from the current one-stage regulatory process. Current trading practices, markets, operational practices, and technology are very complex. The current regulatory structure applied to trading and markets also is very complex. The current one-stage regulatory process is not well-designed to handle this complexity.

The four examples presented above are implementation issues, as opposed to policy issues. The proper resolution of each of these issues through a two-stage rulemaking process would have furthered the Commission’s objectives for each of these rulemakings. Providing greater focus on these types of implementation issues during the rulemaking process will result in higher quality rulemaking that more effectively achieves the Commission’s policy objectives.

Recommended practices relating to FAQs and Technical Specifications

If the Commission implements a regulatory process that more effectively accounts for implementation issues as part of the rulemaking process (as recommended above), this should reduce the scope of required FAQs. To the extent that specific implementation issues have not been addressed as part of the rulemaking process, the Commission (or SROs, as applicable)⁹ should publish written FAQs (or equivalent written guidance)¹⁰ to provide clarification on these issues sufficiently in advance of the compliance date. Similarly, for any new regulation that involves technical or computational changes, the Commission should ensure that Technical Specifications (or equivalent technical documentation)¹¹ are published sufficiently in advance of the compliance date.

⁶ 17 CFR §240.13f-2(a)(i).

⁷ Securities Exchange Act Release No. 98738 (Oct. 13, 2023), 88 FR 75100 (Nov. 1, 2023) (Short Position and Short Activity Reporting by Institutional Investment Managers), at 88 FR 75186 (“The number of shares outstanding of the security for which information is being reported shall be determined by reference to an issuer’s most recent annual or quarterly report, and any subsequent update thereto, filed with the Commission.”)

⁸ See, for example, FIF Letter to the Commission (Aug. 9, 2024), available at <https://fif.com/index.php/working-groups/category/271-comment-letters?download=2983:fif-follow-up-letter-to-the-sec-relating-to-the-implementation-of-short-position-and-short-activity-reporting&start=30&view=category>.

⁹ In this section, references to the Commission include the SROs, as applicable.

¹⁰ In this letter we use the term “FAQs” as shorthand to refer to FAQs and other written guidance.

¹¹ In this letter we use the term “Technical Specifications” to refer to any technical documentation, including reporting scenarios.

It is important that FAQs be used to provide guidance on implementation issues and not to expand the scope of a rule.¹² It is also important that any interpretive guidance be published in writing and not communicated verbally to individual firms (unless also published in writing).

FIF members further recommend that, for any rule where FAQs or Technical Specifications are required, the Commission should set the compliance date for the applicable rule in relation to the date that written FAQs and Technical Specifications are published. For example, a best practice would be for the Commission to set the compliance date in a release issued upon the publication of FAQs and Technical Specifications. FIF members further recommend that the Commission publish FAQs and Technical Specifications in draft form and provide opportunity for market participants to comment on these drafts through an expedited comment process. This type of expedited comment process will result in higher quality FAQs.

When amending an existing rule, the Commission should make clear in the adopting release how the amendment impacts prior FAQs from the Commission staff. The appropriate way to do this is to issue a restated set of FAQs that replaces the prior FAQs (in other words, all prior FAQs are invalidated unless included in the restated FAQs). As one example of the current challenges faced by industry members (that would be addressed by this recommendation), there is currently a lack of clarity as to how the 2018 amendments to Rule 606 impacted the Rule 606 FAQs that the Commission staff published prior to these amendments (in other words, there is lack of clarity as to which of the pre-2018 FAQs continue to apply).¹³

The Commission should also consider establishing a task force within the Commission to focus on implementation issues. This task force would work with the subject-matter experts for the specific rules to coordinate the resolution of implementation issues for new and existing rulemaking.

B. Specific implementation issues impacting FIF members and requested actions

The table below sets forth the implementation issues that FIF members recommend for the Commission to address. The attached Schedule 1 provides additional information about each of these issues, including the current implementation challenges, the requested action, the reasons for the requested action, and links to prior communications by FIF and FIF members to the Commission and SROs and other documentation on these issues. Given the focus of FIF on implementation, the list below is limited

¹² As one of a number of examples that could be cited, the FAQs published by the Division of Trading and Markets after the Commission's adoption of amendments to Rule 606 in 2018 discuss "look-through" reporting even though look-through reporting is not discussed in the Commission's adopting release for these amendments. See, for example, Rule 606 FAQ 13.01 and FIF December 2022 Letter, at 2-3 and 5-6.

¹³ See, for example, (I) Division of Trading and Markets, Staff Legal Bulletin No. 13, "Frequently Asked Questions About Rule 11Ac1-6" (June 22, 2001), available at <https://www.sec.gov/interps/legal/mrslb13.htm>, (II) Securities Exchange Act Release No. 84528 (Nov. 2, 2018), 83 FR 58338 (Nov. 19, 2018) (Disclosure of Order Handling Information), and (III) Division of Trading and Markets, "Responses to Frequently Asked Questions Concerning Rule 606 of Regulation NMS", available at <https://www.sec.gov/rules-regulations/staff-guidance/trading-markets-frequently-asked-questions/faq-rule-606-regulation>.

to implementation issues and is not intended to identify all issues of concern to FIF members. FIF has previously raised each of these issues with Commission representatives.¹⁴

Implementation Issue	Requested Action	Expected Benefits / Reasons for Requested Action
CAT (reporting requirements)		
Representative order linkage	Provide an exemption from the requirement for an industry member to report linkage (i) where no linkage exists in the real-world and (ii) where requiring this linkage would disrupt current trading workflows	<ul style="list-style-type: none"> • Avoid large numbers of CAT errors that firms will not be able to resolve • Enable industry members to continue to engage in trading workflows that benefit investors
Reporting of default settings	Provide an exemption from the requirement for a routing firm to report default settings applied by a receiving firm	<ul style="list-style-type: none"> • Avoid unnecessary costs arising from routing firms reporting data that is already reported by receiving firms • Maintain the quality of the CAT audit trail
Verbal pre-order communications	Confirm that pre-order communications are not reportable to CAT (or provide a permanent exemption from the requirement for firms to report these pre-order communications to CAT)	<ul style="list-style-type: none"> • These pre-order communications are not orders as defined in Commission Rule 613 (Consolidated Audit Trail) • Avoid estimated \$4.4B annual compliance cost for firms • Prevent significant disruption to exchange floor trading and upstairs trading (for equities and options)
RFQ responses that are not executable by the receiving firm	Confirm that non-executable RFQ responses are not reportable to CAT (or provide a permanent exemption from the requirement for firms to report non-executable RFQ responses to CAT)	<ul style="list-style-type: none"> • Non-executable RFQ responses are not reportable under Commission Rule 613 (Consolidated audit trail) • Reporting non-executable RFQ responses would involve significant complexity and cost given the diversity and complexity of RFQ workflows
CAT (removing PII from CAT)		
Removing PII from CAT	Continue to engage with the CAT Plan Participants and industry members on	<ul style="list-style-type: none"> • Address the current risk that the CAT system maintains

¹⁴ The attached Schedule 1 includes links to prior FIF letters that discuss in further detail the requested actions and the reasons for these requested actions.

Implementation Issue	Requested Action	Expected Benefits / Reasons for Requested Action
	implementing (i) the removal of PII from CAT for existing PII and going forward (as provided in the Commission’s February 10, 2025 Order and the March 7, 2025 rule filing by the CAT Plan Participants) and (ii) an alternative approach for regulators to request PII from broker-dealers on an as-needed basis	extensive PII of investors in a centralized database
CAT (managing CAT operating costs)		
Managing CAT operating costs	Direct the CAT NMS Plan Participants to publish an analysis of various potential approaches to reduce CAT operating costs, including extension of the current CAT processing deadlines; provide for greater transparency into current CAT costs and the opportunity for industry members to participate in the management of CAT operating costs	<ul style="list-style-type: none"> • Manage CAT operating costs
Electronic Blue Sheets		
Electronic Blue Sheets	Publish a plan to retire Electronic Blue Sheets (EBS) for equities and options	<ul style="list-style-type: none"> • Address the concern that EBS involves the transmission of large amounts of plaintext PII (including SSNs) associated to specific transactions • Remove the significant, ongoing and duplicative burden for industry members to respond to EBS inquiries • The Commission should abide by the obligation that it undertook (in its 2016 approval order for CAT) to retire EBS for equities and options “when the CAT system meets minimum standards of accuracy and reliability”
Order routing reports (Commission Rule 606 and FINRA Rule 6470)		
Look-through for Rule 606(a) reporting	Provide a revised interpretation for Rule 606(a) reporting that removes look-through	<ul style="list-style-type: none"> • Look-through results in (i) misleading reports for retail investors and (ii) reports that are not comparable across

Implementation Issue	Requested Action	Expected Benefits / Reasons for Requested Action
		<p>brokers; this is more harmful than having no reporting</p> <ul style="list-style-type: none"> • Removing look-through would be a straightforward process that would only require the updating of existing Commission guidance
Rule 606(a): calculating the percentage of orders routed to different venues	Provide written guidance on how firms should report the percentage of orders routed to different venues	<ul style="list-style-type: none"> • Ensure that Rule 606(a) reports are comparable across reporting firms • Ensure that Rule 606(a) reporting is consistent with the objectives of Rule 606(a)
Rule 606(b)(3) reporting	Suspend Rule 606(b)(3) reporting	<ul style="list-style-type: none"> • Broker-dealers must incur significant ongoing compliance costs to acquire, process and aggregate data from other broker-dealers • Customer requests for Rule 606(b)(3) reports have been minimal
Rule 606 FAQs	Consolidate historic Rule 606 FAQs with current Rule 606 FAQs	<ul style="list-style-type: none"> • Provide regulatory clarity for broker-dealers as to which interpretations remain in effect
FINRA Rule 6470 (routing reports for OTC equities)	Advise FINRA to suspend the implementation of Rule 6470 pending resolution of the items above relating to: removing look-through for Rule 606(a) reporting; providing guidance on how to calculate the percentage of orders routed to different venues; and clarifying the Rule 606 FAQs	<ul style="list-style-type: none"> • Look-through will result in misleading data being disclosed to the public • The lack of written guidance on how to calculate the percentage of orders routed to different venues will result in lack of comparable data across broker-dealers; this will result in misleading data being disclosed to the public
Rule 605 amendments		
Rule 605 amendments	Ensure that reporting firms are provided sufficient time to implement the upcoming Rule 605 amendments; the implementation date should provide sufficient time from the date that the Commission provides interpretive	<ul style="list-style-type: none"> • Provide sufficient time for industry members to implement the Rule 605 amendments in a consistent manner across firms based on clear written guidance

Implementation Issue	Requested Action	Expected Benefits / Reasons for Requested Action
	guidance in response to issues and questions previously submitted by reporting firms	<ul style="list-style-type: none"> • Ensure that Rule 605 disclosures are not misleading as a result of inconsistent reporting across firms
Short Position Reporting		
FAQs	Publish written FAQs for short position reporting at least six months prior to the live date for reporting	<ul style="list-style-type: none"> • Prevent the dissemination of misleading data to the public • Publishing FAQs to enable consistent reporting will more effectively achieve the objectives of the short position reporting rule
Offsetting long positions	Provide exemptive relief to allow managers to take into account offsetting long positions under specified conditions	<ul style="list-style-type: none"> • Prevent the dissemination of misleading data to the public • This relief will more effectively achieve the objectives of the short position reporting rule
Accurate computation of shares outstanding	Provide exemptive relief (consistent with Commission Rule 13d-1(j)) to enable managers to avoid inaccurate calculations for Threshold A securities	<ul style="list-style-type: none"> • Ensure accurate reporting by managers
Position reporting system	Clarify that Form SHO is a position reporting system and not a transaction reporting system	<ul style="list-style-type: none"> • Ensure consistent reporting among managers • Ensure that managers (i) report Tables 1 and 2 in a consistent manner, and (ii) report Table 2 in accordance with the Form SHO instructions • Remove significant burden on managers • Avoid distortions in disclosure that result from introducing transaction-reporting elements into a position reporting system
Reporting when there is no daily change in gross short position	Clarify that managers can report "0" (zero) when there is no daily change in gross short position	<ul style="list-style-type: none"> • Remove significant burden on managers • Maintain core principle that short position reporting is a position reporting system and

Implementation Issue	Requested Action	Expected Benefits / Reasons for Requested Action
		not a transaction reporting system
SLATE		
Securities Lending and Transparency Engine	Provide interpretive guidance in response to the issues raised in the FIF letter submitted to the SEC and FINRA on April 25, 2025	<ul style="list-style-type: none"> • Ensure that open interpretive issues are addressed prior to the implementation of SLATE reporting
Trade Reporting		
MSRB Real-Time Transaction Reporting System for municipal bonds (RTRS)	Advise the MSRB to decouple trade reporting from clearance and settlement	<ul style="list-style-type: none"> • The MSRB's coupling of trade reporting to clearance and settlement causes delays in reporting, restricts direct access to reporting and makes correction of trade errors more difficult • Expand direct access to reporting to a larger group of firms
FINRA Transaction Reporting Facility (TRF) and Order Reporting Facility (ORF)	Advise FINRA to streamline the TRF and ORF systems to remove reporting that is duplicative of CAT	<ul style="list-style-type: none"> • Avoid duplicative costs and resources

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FIF members appreciate the Commission's consideration of the requests set forth above. Please contact me at howard.meyerson@fif.com after you and your colleagues have had an opportunity to review these items.

Very truly yours,

/s/ Howard Meyerson

Howard Meyerson
 Managing Director, Financial Information Forum

cc: Andrew Durand, Counsel to Commissioner Peirce
 Will Miller, Attorney Advisor to Commissioner Peirce
 Kelsey Pristach, Senior Advisor to Commissioner Uyeda
 David Sarti, Acting Director, Division of Trading and Markets

Schedule 1
Additional Detail on Implementation Issues

A. Consolidated Audit Trail: reporting requirements

1. Representative order linkage

Requested action	Provide an exemption from the requirement for a firm to report linkage (i) where no linkage exists in the real-world and (ii) where requiring this linkage would disrupt current trading workflows
Key Points	<ul style="list-style-type: none"> Planned changes to the CAT system could require industry members to report various linkages between CAT events where these linkages do not exist in the real world If these changes to the CAT system are implemented, this will result in large numbers of CAT errors that industry members will not be able to resolve These unresolvable errors will be disruptive to the operation of the CAT system and costly for all parties In other cases, planned changes to the CAT system relating to linkage will, as a practical matter, force industry members to cease engaging in certain trading workflows that benefit investors CAT was not intended to change trading workflows On January 17, 2025, the Commission published an order extending the current exemptive relief from January 31, 2025 to July 31, 2025 FIF, FIF members and Commission representatives have been engaged in discussions to achieve a more permanent solution to this issue
Reasons for requested action	<ul style="list-style-type: none"> Avoid large numbers of CAT errors that firms will not be able to resolve (resulting from a linkage requirement that would provide no value to regulators since no linkage exists in the real world for these scenarios) Enable industry members to continue to engage in trading workflows that benefit investors
Links to prior communications	<ul style="list-style-type: none"> Revised draft FIF request for exemption (submitted January 21, 2025)

2. Reporting of default settings

Requested action	Provide an exemption from the requirement for a routing firm to report default settings applied by a receiving firm
Key Points	<ul style="list-style-type: none"> An exchange, ATS or broker-dealer that receives an order (a “receiving firm”) is required to report to CAT the default settings applied by the receiving firm for the order A routing firm also is required to report to CAT the default settings applied by the receiving firm

	<ul style="list-style-type: none"> • The default settings are already reported to CAT by the receiving firm so it is unclear how the routing firm reporting the same data provides value to regulators • It would be very costly to implement processes whereby every receiving firm would communicate the settings for every order to every routing firm and for every routing firm to translate these default settings to CAT values and report these values to CAT • If the routing firm reports the receiving firm’s default settings, the routing firm is reporting data that is not in the routing firm’s books and records • If the routing firm reports the receiving firm’s default settings, regulators no longer know what the routing firm communicated to the receiving firm in the routing’s firm’s order message, thereby reducing the quality of the CAT audit trail • The Commission staff has indicated the Commission’s willingness to consider an exemption for enumerated default settings; FIF members are concerned that this approach would not achieve the intended objective given the ongoing changes to default settings applied by receiving firms
Reasons for requested action	<ul style="list-style-type: none"> • Avoid unnecessary costs arising from routing firms reporting data that is already reported by receiving firms • Maintain the quality of the CAT audit trail by ensuring that the instructions transmitted by the routing firm are reported by the routing firm to CAT (without diluting this reporting with the reporting of default settings applied by the receiving firm) • Ensure that a routing firm reports to CAT based on its own books and records
Links to prior communications	<ul style="list-style-type: none"> • FIF letter to the Commission (January 25, 2024) • FIF request for exemption (March 21, 2024) • FIF revised draft request for exemption (March 13, 2025)

3. Verbal pre-order communications

Requested action	Confirm that pre-order communications are not reportable to CAT (or provide a permanent exemption from the requirement for firms to report these pre-order communications to CAT)
Key Points	<ul style="list-style-type: none"> • Examples of these pre-order communications are verbal activity on an exchange trading floor and a price communicated by a dealer to a customer in the upstairs market • In all cases, a pre-order communication cannot result in a trade unless an order is created; this illustrates why these pre-order communications are not CAT-reportable orders • Since the orders described in the previous bullet are reported to CAT, the surveillance value of these pre-order communications is limited • FIF members have estimated \$4.4B as the annual compliance cost for industry members to comply with this reporting requirement • If this reporting requirement were to take effect, exchange floor trading (which has existed in the US for almost 250 years) and upstairs trading would be significantly disrupted (for equities and options)

	<ul style="list-style-type: none"> On August 2, 2024, the CAT Plan Participants submitted a rule filing to the Commission to request an exemption from reporting these pre-order communications (see link below)
Reasons for requested action	<ul style="list-style-type: none"> These pre-order communications are not orders as defined in Commission Rule 613 (Consolidated Audit Trail) Avoid estimated \$4.4B annual compliance cost for firms Prevent significant disruption to exchange floor trading and upstairs trading (for equities and options)
Links to prior communications	<ul style="list-style-type: none"> Notice of Filing by the CAT Plan Participants of Exemptive Request Letter Related to Verbal Floor and Upstairs Activity (August 14, 2024) Order Instituting Proceedings (November 18, 2024) FIF comment letter in support of the rule filing (September 9, 2024) 2nd FIF comment letter in support of the rule filing (December 6, 2024)

4. RFQ responses that are not executable by the receiving firm

Requested action	Confirm that non-executable RFQ responses are not reportable to CAT (or provide a permanent exemption from the requirement for firms to report non-executable RFQ responses to CAT)
Key Points	<ul style="list-style-type: none"> Certain responses to RFQs (RFQ responses) are executable by the solicitor (i.e., the firm that sent the RFQ and received the RFQ response) These “executable” RFQ responses are reportable to CAT Other RFQ responses are not executable by the solicitor; instead, upon receipt of the RFQ response, the solicitor sends an order back to the responder or the solicitor sends a request to the responder to send a firm order to the solicitor These “non-executable” RFQ responses are not orders and should not be reportable to CAT
Reasons for requested action	<ul style="list-style-type: none"> Non-executable RFQ responses are not reportable under Commission Rule 613 (Consolidated audit trail) Reporting of non-executable RFQ responses would involve significant complexity given the diversity and complexity of RFQ workflows There is a lack of legal clarity on when a non-executable RFQ response would be considered an indication and when such a response would be considered an order
Links to prior communications	<ul style="list-style-type: none"> FIF letter to the Commission (June 1, 2023) FIF letter to the Commission (September 6, 2023) FIF letter to the Commission (November 16, 2023) FIF letter to the Commission (April 25, 2024)

B. Consolidated Audit Trail: removing PII from CAT

Requested action	Continue to engage with the CAT NMS Plan Participants and industry members on implementing (i) the removal of PII from CAT for existing PII and going forward (as provided in the Commission’s February 10, 2025 Order and the March 7, 2025 rule filing by the CAT Plan Participants) and (ii) an alternative
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	approach for regulators to request PII from broker-dealers on an as-needed basis
Key Points	<ul style="list-style-type: none"> On February 10, 2025, the Commission published an Order exempting PII of U.S. natural persons from CAT reporting On March 7, 2025, the CAT Plan Participants filed a plan amendment to provide for the removal of PII from CAT FIF members support these actions by the Commission and the CAT Plan Participants
Reasons for requested action	<ul style="list-style-type: none"> Address the current risk that the CAT system maintains extensive PII of investors in a centralized database
Links to prior communications	<ul style="list-style-type: none"> January 17, 2025 blog by Robert Cook, President and CEO of FINRA, titled “CAT Should Be Modified to Cease Collecting Personal Information on Retail Investors” February 10, 2025 SEC Order Granting Exemptive Relief, Pursuant to Section 36(a)(1) and Rule 608(e) of the Securities Exchange Act of 1934, from Certain Provisions of Section 6.4(d)(ii)(C) and Appendix D, Sections 9.1, 9.2 and 9.4 of the National Market System Plan Governing the Consolidated Audit Trail Draft amendment to the CAT NMS Plan filed by the CAT Plan Participants on March 7, 2025 FIF comment letter to the Commission (April 9, 2025)

C. Consolidated Audit Trail: managing CAT operating costs

Requested action	Direct the CAT NMS Plan Participants to publish an analysis of various potential approaches to reduce CAT operating costs, including extension of the current CAT processing deadlines; provide for greater transparency into current CAT costs and the opportunity for industry members to participate in the management of CAT operating costs
Key Points	<ul style="list-style-type: none"> CAT operating costs are significantly higher than projected in the CAT NMS Plan (approved by the Commission in 2016) Current year-over-year cost increases in CAT operating costs are not sustainable over the long-term A significant contributor to CAT operating costs are the current processing deadlines mandated under the CAT NMS Plan (there is an increase in costs when the same amount of processing must be performed over a shorter time period) Extending the current CAT processing deadlines could significantly reduce CAT operating costs without materially impacting the Commission and SRO surveillance function The Commission should advise the CAT Plan Participants to prepare and publish a study on how extending the CAT processing timelines would impact CAT operating costs The Commission should advise the CAT Plan Participants to include in this study other potential approaches to reduce CAT operating costs Industry members currently have limited transparency into CAT costs and limited ability to participate in the management of CAT costs

Reasons for requested action	<ul style="list-style-type: none"> • Manage CAT operating costs
Links to prior communications	<ul style="list-style-type: none"> • FIF letter to the Commission (May 7, 2024) • FIF letter to the Commission (October 25, 2024) • FIF letter to the Commission (December 2, 2024)

D. Electronic Blue Sheets

Requested action	Publish a plan to retire Electronic Blue Sheets (“EBS”) for equities and options
Key Points	<ul style="list-style-type: none"> • The transmission of large amounts of personal data through EBS in plaintext risks the leakage of large amounts of PII • In contrast to CAT, which provides for the separate reporting of transaction and customer data, the EBS system provides for the reporting of SSNs and other PII of natural persons in association to specific transactions • The EBS system for equities and options is currently fully duplicative of CAT for events occurring after May 31, 2024 (the compliance date for Full CAIS reporting) • In many cases, responding to EBS inquiries requires significant manual effort • In its 2016 approval order for CAT, the Commission committed to retire EBS for equities and options “when the CAT system meets minimum standards of accuracy and reliability” • EBS should be replaced with a system that: (i) has PII protections; (ii) does not include transaction data; and (iii) allows for the automation of costly manual processes
Reasons for requested action	<ul style="list-style-type: none"> • Address the concern that EBS involves the transmission of large amounts of plaintext PII (including SSNs) associated to specific transactions • Reduce the significant, ongoing and duplicative burden for industry members to respond to EBS inquiries • The Commission should abide by the commitment that it undertook (in its 2016 approval order for CAT) to retire EBS for equities and options “when the CAT system meets minimum standards of accuracy and reliability”
Links to prior communications	<ul style="list-style-type: none"> • FIF letter to the Commission (June 15, 2023) • FIF comment letter to the Commission (April 9, 2025)

E. Order routing reports (Commission Rule 606 and FINRA Rule 6470)

1. Look-through for Rule 606(a) reporting

Requested action	Provide revised interpretation for Rule 606(a) reporting that removes look-through
Key Points	<ul style="list-style-type: none"> • “Look-through” means that a customer-facing firm, when reporting on Rule 606(a), reports routes to non-executing firms as routes to the ultimate venue as opposed to routes to the non-executing firm

	<ul style="list-style-type: none"> • The Commission’s “look-through” requirements for Rule 606(a) reporting are not mentioned in Rule 606 or the Commission’s adopting release; look-through also was not mentioned in the Commission’s proposing release • Look-through is guidance provided by the Commission after the adoption of Rule 606(a) • Look-through is based on a Commission interpretation that a routing firm that does not trade as principal or cross orders is not receiving orders “for execution”, but the Commission took the exact opposite interpretation when subsequently adopting the 2023 amendments to Rule 605 • Look-through results in misleading reports for retail investors that are more harmful than having no reporting • Look-through results in reports that are not comparable across brokers; this is more harmful than having no reporting • Look-through presents a significant implementation challenge because the non-executing firm (which can be a non-U.S. firm) has no legal obligation to provide the look-through data to the customer-facing firm • Removing look-through would be a straightforward process; the Commission would only need to clarify that a routing firm that does not trade as principal or cross orders is receiving orders “for execution”
Reasons for requested action	<ul style="list-style-type: none"> • Look-through results in (i) misleading reports for retail investors and (ii) reports that are not comparable across brokers; this is more harmful than having no reporting • Removing look-through would be a straightforward process that would only require the updating of existing Commission guidance
Links to prior communications	<ul style="list-style-type: none"> • FIF comment letter to the Commission (December 20, 2022) • FIF letter to the Commission (February 26, 2025)

2. Rule 606(a): calculating the percentage of orders routed to different venues

Requested action	Provide written guidance on how firms should report the percentage of orders routed to different venues
Key Points	<ul style="list-style-type: none"> • The Commission has not provided written guidance on how firms should calculate the percentage of orders routed to different venues • This is a fundamental aspect of Rule 606(a) reporting • Given the absence of this written guidance, Rule 606(a) reports are not comparable across reporting firms • Informal Commission staff guidance would exclude non-executing venues in certain scenarios; this appears to be contrary to the objectives of Rule 606(a) reporting • FIF members are currently engaged in discussions with SEC staff members to address this issue
Reasons for requested action	<ul style="list-style-type: none"> • Ensure that Rule 606(a) reports are comparable across reporting firms • Ensure that Rule 606(a) reporting is consistent with the objectives of Rule 606(a)
Links to prior communications	<ul style="list-style-type: none"> • FIF letter to the Commission (August 21, 2024) • FIF letter to the Commission (February 26, 2025)

3. Rule 606(b)(3) reporting

Requested action	Suspend Rule 606(b)(3) reporting
Key Points	<ul style="list-style-type: none"> • Subsequent to its 2018 adoption of the new Rule 606(b)(3) reporting requirement, the Commission issued extensive “look-through” guidance that significantly expanded the type of data that broker-dealers must provide to institutional clients requesting an ad hoc 606(b)(3) report • The majority of this data is not typically part of a broker-dealer’s workflow and instead reporting firms must acquire, process, and aggregate this data from other broker-dealers, including broker-dealers that have no legal obligation to provide this data to the reporting broker-dealer • This represents a significant ongoing compliance cost for broker-dealers • Because of problems with the design of the report, customer requests for Rule 606(b)(3) reports have been minimal • As discussed in a letter submitted by FIF on March 2, 2022, FIF conducted a survey of FIF members as to the number of requests for Rule 606(b)(3) reports that they received during the past year; the survey results reveal that the customer requests for Rule 606(b)(3) reports have been minimal • The Commission should consider conducting its own survey of institutional investors and broker-dealer regarding the utility of these reports
Reasons for requested action	<ul style="list-style-type: none"> • Broker-dealers must incur significant ongoing compliance costs to acquire, process and aggregate data from other broker-dealers • Customer requests for Rule 606(b)(3) reports have been minimal
Links to prior communications	<ul style="list-style-type: none"> • FIF letter to the Commission (March 2, 2022)

4. Rule 606 FAQs

Requested action	Consolidate historic Rule 606 FAQs with current Rule 606 FAQs
Key Points	<ul style="list-style-type: none"> • During November 2000, the Commission published “Frequently Asked Questions About Rule 11Ac1-6” • The Commission updated these FAQs during June 2001 • Rule 11Ac1-6 was subsequently renumbered as Rule 606 • In 2018 the Commission adopted amendments to Rule 606 • Subsequent to the 2018 amendments, the Commission published new Rule 606 FAQs • It is not clear at this time which of the Rule 11Ac-6 FAQs are still in effect • FIF members are currently engaged in discussions with SEC staff members to address this issue
Reasons for requested action	<ul style="list-style-type: none"> • Provide regulatory clarity for broker-dealers as to which interpretations remain in effect
Links to prior communications	<ul style="list-style-type: none"> • FIF letter to the Commission (August 21, 2024) • FIF letter to the Commission (February 26, 2025)

5. FINRA Rule 6470 (routing reports for OTC equities)

Requested action	Advise FINRA to suspend the implementation of Rule 6470 pending resolution of the items above relating to: removing look-through for Rule 606(a) reporting; providing guidance on how to calculate the percentage of orders routed to different venues; and clarifying the Rule 606 FAQs
Key Points	<ul style="list-style-type: none"> FIF has identified three significant challenges relating to Rule 606(a) reporting: look-through; lack of written guidance on how to calculate the percentage of orders routed to different venues; and lack of clarity as to which of the historic Rule 606 FAQs continue to apply In 2024 FINRA adopted Rule 6470, which requires routing reports for OTC equities The same challenges with Rule 606(a) also apply to Rule 6470, effectively compounding the mistakes of Rule 606(a) The issues above should be resolved for Rule 606(a), and the same approach to resolving these issues should be applied to Rule 6470
Reasons for requested action	<ul style="list-style-type: none"> Look-through will result in misleading data being disclosed to the public The lack of written guidance on how to calculate the percentage of orders routed to different venues will result in lack of comparable data across broker-dealers; this will result in misleading data being disclosed to the public
Links to prior communications	<ul style="list-style-type: none"> FIF comment letter to the Commission (December 20, 2022) FIF letter to the Commission (February 26, 2025)

F. Rule 605 amendments

Requested action	Ensure that reporting firms are provided sufficient time to implement the upcoming Rule 605 amendments; the implementation date should provide sufficient time from the date that the Commission provides interpretive guidance in response to issues and questions previously submitted by reporting firms
Key Points	<ul style="list-style-type: none"> FIF members support the Commission's initiative to modernize Rule 605 and will continue to work with the Commission towards implementation of this important initiative On June 24, 2024, FIF submitted to the Commission a letter requesting guidance on various issues relating to the Rule 605 amendments FIF stated in the letter that FIF members could implement the Rule 605 amendments by the compliance date if the Commission were to publish FAQs by the end of 2024 During October and November 2024, FIF members participated on calls with Commission representatives to discuss the issues raised in the June 2024 FIF letter Given that the Commission has not yet published FAQs, FIF members are concerned about whether the currently-scheduled implementation date for the Rule 605 amendments is feasible

	<ul style="list-style-type: none"> • Since the Rule 605 amendments include summary reports intended for retail investors and more detailed reports that can be analyzed by market participants and other parties, it is important to ensure consistent reporting across firms; this can only be achieved with clear written guidance from the Commission
Reasons for requested action	<ul style="list-style-type: none"> • Provide sufficient time for industry members to implement the Rule 605 amendments in a consistent manner across firms based on clear written guidance • Ensure that Rule 605 disclosures are not misleading as a result of inconsistent reporting across firms
Links to prior communications	<ul style="list-style-type: none"> • FIF letter to the Commission (June 24, 2024) • FIF letter to the Commission (March 17, 2025)

G. Short Position Reporting

1. FAQs

Requested action	Publish written FAQs for short position reporting at least six months prior to the live date for reporting
Key Points	<ul style="list-style-type: none"> • On February 7, 2025, the Commission published an Order extending the compliance date for Form SHO reporting to January 2026 • Market participants have raised a number of interpretive questions that are fundamental to short position reporting • The Commission has provided verbal guidance in response to a number of questions, but verbal guidance is problematic because it is only communicated to a limited number of market participants and lacks the necessary clarity that can only be provided through written guidance • Because of the lack of written guidance, different FIF members are adopting different approaches for reporting • This inconsistent reporting will negatively impact the quality of the data that managers report to the Commission; the result is that, in many cases, the Commission will receive inconsistent data and will disseminate misleading data to the public • It is standard practice for the Commission to publish FAQs for reporting requirements
Reasons for requested action	<ul style="list-style-type: none"> • Prevent the dissemination of misleading data to the public • Publishing FAQs to enable consistent reporting will more effectively achieve the objectives of the short position reporting rule
Links to prior communications	<ul style="list-style-type: none"> • FIF letter to the Commission (November 8, 2024) • FIF letter to the Commission (January 24, 2025) • Draft FAQs submitted by FIF to the Commission (January 30, 2025) • February 7, 2025 SEC Order Granting Temporary Exemption Pursuant to Section 13(f)(3) of the Securities Exchange Act of 1934 from Compliance with Rule 13f-2 and Form SHO • FIF letter to the Commission (February 25, 2025)

2. Offsetting long positions

Requested action	Provide exemptive relief to allow managers to take into account offsetting long positions under specified conditions
Key Points	<ul style="list-style-type: none"> Prohibiting managers from taking into account offsetting long positions will result in the dissemination of misleading data to the public Permitted offsetting should be subject to specified conditions (for example, same beneficial owner, same aggregation unit (for broker-dealers) and same security)
Reasons for requested action	<ul style="list-style-type: none"> Prevent the dissemination of misleading data to the public This relief will more effectively achieve the objectives of the short position reporting rule
Links to prior communications	<ul style="list-style-type: none"> FIF letter to the Commission (January 24, 2025) FIF letter to the Commission (February 25, 2025)

3. Accurate computation of shares outstanding

Requested action	Provide exemptive relief (consistent with Commission Rule 13d-1(j)) to enable managers to avoid inaccurate calculations for Threshold A securities
Key Points	<ul style="list-style-type: none"> A manager is required to report a Threshold A security (i.e., a security registered with the Commission) on Form SHO if the manager's gross short position (averaged over a month) exceeds 2.5% of the shares outstanding Rule 13f-2 requires managers to reference EDGAR to obtain the shares outstanding These are many scenarios where the EDGAR data for outstanding shares is materially inaccurate (for example, stock splits, reverse stock splits, buy backs, ETF creations, ETF redemptions) For Schedule 13D and 13G reporting (beneficial ownership reporting) reporters are permitted to consider other sources if they are aware that the EDGAR data is not accurate This ability to rely on other sources should also apply for Form SHO reporting
Reasons for requested action	<ul style="list-style-type: none"> Ensure accurate reporting by managers
Links to prior communications	<ul style="list-style-type: none"> FIF letter to the Commission (August 9, 2024) FIF letter to the Commission (February 25, 2025)

4. Position reporting system

Requested action	Clarify that Form SHO is a position reporting system and not a transaction reporting system
Key Points	<ul style="list-style-type: none"> The instructions to Table 2 of Form SHO make clear that a manager, when reporting its daily position changes, is required to take into account all activity that increases or decreases a gross short position

	<ul style="list-style-type: none"> • The Commission introduced an ambiguity when, in the adopting release, it added the phrase “that are held short as a result of short sales” to the definition of gross short position • Requiring managers to look to the underlying transactions significantly increases the implementation and ongoing compliance work that is required because managers must now look beyond their position systems to the underlying transaction systems in order to implement Form SHO reporting • This requirement also distorts reported positions by introducing transaction-reporting elements into a position reporting system • The Commission should clarify, consistent with the instructions to Table 2 of Form SHO, that a manager is required to take into account all activity that increases or decreases a gross short position • With this clarification, managers can report based on their position systems and will not need to look beyond their positions systems to the underlying transaction systems
Reasons for requested action	<ul style="list-style-type: none"> • Ensure consistent reporting among managers • Ensure that managers report Tables 1 and 2 in a consistent manner • Ensure that managers report Table 2 in accordance with the Form SHO instructions • Remove significant burden on managers • Maintain core principle that short position reporting is a position reporting system and not a transaction reporting system • Avoid distortions in disclosure that result from introducing transaction-reporting elements into a position reporting system
Links to prior communications	<ul style="list-style-type: none"> • FIF letter to the Commission (June 24, 2024) • FIF letter to the Commission (August 9, 2024) • FIF letter to the Commission (February 25, 2025)

5. Reporting when there is no daily change in gross short position

Requested action	Clarify that managers can report “0”(zero) when there is no daily change in gross short position
Key Points	<ul style="list-style-type: none"> • On December 16, 2024, the Commission published an update to the Edgar Filer Manual relating to Form SHO reporting • The update requires a manager to report (i) “0” (zero) if there is buy/sell activity for a day that affects a manager’s gross short position but no change in gross short position; and (ii) “None” if there is no buy/sell activity for the day • This requirement significantly increases the implementation work that is required because managers must now look beyond their position systems to the underlying transaction systems in order to implement Form SHO reporting • This requirement also reverses the effect of changes from the proposing release to the adopting release for Rule 13f-2 that effectively removed the

	<p>need for managers to look beyond their position systems to the underlying transaction systems.</p> <ul style="list-style-type: none"> FIF members also do not understand how requiring the separate reporting of “0” and “None” provides any regulatory value to the Commission or would impact in any way the aggregated data that is publicly disclosed.
Reasons for requested action	<ul style="list-style-type: none"> Remove significant burden on managers Maintain core principle that short position reporting is a position reporting system and not a transaction reporting system
Links to prior communications	<ul style="list-style-type: none"> FIF letter to the Commission (December 20, 2024)

H. SLATE

Requested Action	Provide interpretive guidance in response to the issues raised in the FIF letter submitted to the SEC and FINRA on April 25, 2025
Key Points	<ul style="list-style-type: none"> On April 25, 2025, FIF submitted a letter to the Commission and FINRA raising a number of interpretive questions relating to SLATE reporting The letter also requests changes to the current design of the SLATE system to address certain challenges identified by FIF members It is important for the Commission and FINRA to address these issues prior to the implementation of SLATE There should also be a reasonable time period between the Commission and FINRA addressing these issues and the implementation of SLATE
Reasons for requested action	<ul style="list-style-type: none"> Ensure that open interpretive issues are addressed prior to the implementation of SLATE reporting
Links to prior communications	<ul style="list-style-type: none"> FIF letter to the Commission and FINRA (April 25, 2025)

I. Trade reporting

1. MSRB Real-Time Transaction Reporting System for municipal bonds (RTRS)

Requested action	Advise the MSRB to decouple trade reporting from clearance and settlement
Key Points	<ul style="list-style-type: none"> TRACE is the system operated by FINRA for firms to report trades in corporate, agency and Treasury bonds and securitized products; firms report trades directly to TRACE The current reporting process for munis requires firms to report to the MSRB’s RTRS system (the reporting system) via the Real-Time Trade Matching System (the clearance and settlement system) operated by FICC This coupling of reporting to clearance and settlement causes delays in reporting, requires many firms to use third-party intermediaries for reporting (i.e., restricts direct access to reporting), and makes the correction of trade errors more difficult Every other trade reporting system has decoupled reporting from clearance and settlement

	<ul style="list-style-type: none"> Trade reporting for munis should be decoupled from clearance and settlement
Reasons for requested action	<ul style="list-style-type: none"> The MSRB’s coupling of trade reporting to clearance and settlement causes delays in reporting, restricts direct access to reporting and makes correction of trade errors more difficult Expand direct access to reporting to a larger group of firms
Links to prior communications	<ul style="list-style-type: none"> FIF letter to FINRA and the MSRB (October 3, 2022) FIF letter to the MSRB (April 27, 2023) FIF letter to the MSRB (December 23, 2024)

2. FINRA Transaction Reporting Facility (TRF) and Order Reporting Facility (ORF)

Requested action	Advise FINRA to streamline the TRF and ORF systems to remove reporting that is duplicative of CAT
Key Points	<ul style="list-style-type: none"> Prior to CAT, the TRF and ORF systems performed three functions: transparency (i.e., dissemination of real-time trade reports, also known as “tape” reporting); clearing (receiving clearing data and transmitting this data to DTCC); and regulatory Now that CAT is available, (i) TRF and ORF reports that only serve a regulatory purpose (such as riskless principal reports) should be disabled (i.e., only tape and clearing reports should continue); and (ii) fields in tape and clearing reports that do not have a tape or clearing purpose should be removed
Reasons for requested action	<ul style="list-style-type: none"> Avoid duplicative costs and resources
Links to prior communications	